

**NEW ORLEANS  
CHARTER SCHOOLS FOUNDATION**

**FINANCIAL STATEMENTS**

**For the Years Ended June 30, 2011 and 2010**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date **FEB 01 2012**

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### **OMB CIRCULAR A-133 COMPLIANCE AND GOVERNMENT AUDITING STANDARDS REPORTS**

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
New Orleans Charter Schools Foundation  
New Orleans, Louisiana

We have audited the accompanying Statement of Financial Position of New Orleans Charter Schools Foundation (a nonprofit organization) (the "Foundation") d/b/a McDonogh City Park Academy as of June 30, 2011, and the related Statements of Activities, Cash Flows and Functional Expenses for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of New Orleans Charter Schools Foundation (a nonprofit organization) as of June 30, 2010, were audited by other auditors, whose report dated September 20, 2010, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2011 financial statements referred to above present fairly, in all material respects, the financial position of New Orleans Charter Schools Foundation as of June 30, 2011, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards* we have also issued our report dated October 19, 2011 on our consideration of New Orleans Charter Schools Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial

reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying consolidating statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of New Orleans Charter Schools Foundation. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Carr. Riggs & Ingram, LLC*

October 19, 2011

**NEW ORLEANS CHARTER SCHOOLS FOUNDATION**  
**STATEMENTS OF FINANCIAL POSITION**

**June 30, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 908,130	\$ 596,209
Prepaid expenses	13,803	-
Accounts receivable	166,931	282,130
Total Current Assets	<u>1,088,864</u>	<u>878,339</u>
<b>Non-Current Assets:</b>		
Property and equipment, net of accumulated depreciation	<u>149,117</u>	<u>223,954</u>
Total Assets	<u><u>\$ 1,237,981</u></u>	<u><u>\$ 1,102,293</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 117,734	\$ 70,206
Accrued expenses	<u>132,627</u>	<u>93,235</u>
Total Current Liabilities	<u>250,361</u>	<u>163,441</u>
Total Liabilities	<u>250,361</u>	<u>163,441</u>
<b>Net Assets:</b>		
Unrestricted	<u>987,620</u>	<u>938,852</u>
Total Net Assets	<u>987,620</u>	<u>938,852</u>
Total Liabilities and Net Assets	<u><u>\$ 1,237,981</u></u>	<u><u>\$ 1,102,293</u></u>

See accompanying notes to financial statements.

**NEW ORLEANS CHARTER SCHOOLS FOUNDATION**  
**STATEMENTS OF ACTIVITIES**  
**For the Years Ended June 30, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
<b>UNRESTRICTED NET ASSETS</b>		
<b>Public Support and Other Revenues</b>		
Local sources	\$ 1,709,132	\$ 1,486,215
Federal sources	882,519	1,423,207
State sources	1,417,566	1,172,159
Donations and contributions	82,329	32,524
In kind donation	80,300	80,300
Miscellaneous income	26,484	209,723
	<u>4,198,330</u>	<u>4,404,128</u>
<b>Expenses</b>		
Program services:		
Instructional	2,271,128	2,401,735
Supporting services:		
Management and general	1,860,961	1,771,218
Non-Instructional services:		
Other services	17,473	11,752
	<u>4,149,562</u>	<u>4,184,705</u>
<b>Increase in Unrestricted Net Assets</b>	<u>48,768</u>	<u>219,423</u>
Net assets at beginning of fiscal year	<u>938,852</u>	<u>719,429</u>
Net assets at end of fiscal year	<u>\$ 987,620</u>	<u>\$ 938,852</u>

See accompanying notes to financial statements.

**NEW ORLEANS CHARTER SCHOOLS FOUNDATION**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended June 30, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
<b>Cash Flows from Operating Activities:</b>		
Increase in net assets	\$ 48,768	\$ 219,423
Depreciation expense	74,837	93,682
Loss on disposition of assets	-	13,150
Decrease (increase) in operating assets:		
Accounts receivable	115,199	137,582
Prepaid expenses	(13,803)	31,800
Increase (decrease) in operating liabilities:		
Accounts payable	47,528	17,661
Accrued expenses	39,392	87,199
Contracts payable	-	(209,065)
Net cash provided by operating activities	<u>311,921</u>	<u>391,432</u>
Net increase in cash and cash equivalents	311,921	391,432
Cash and Cash Equivalents, Beginning of Fiscal Year	<u>596,209</u>	<u>204,777</u>
Cash and Cash Equivalents, End of Fiscal Year	<u><u>\$ 908,130</u></u>	<u><u>\$ 596,209</u></u>

See accompanying notes to financial statements.



**NEW ORLEANS CHARTER SCHOOLS FOUNDATION**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**For the Years Ended June 30, 2011 and 2010**

	PROGRAM SERVICES		SUPPORT SERVICES		NON-INSTRUCTIONAL SERVICES		Total	2010
	Instructional		Management And General		Other Services			
<b>Expenses:</b>								
Regular education programs	\$ 2,053,210	\$	-	\$	-	\$	2,053,210	\$ 2,242,641
School administration	-		550,872		-		550,872	449,632
Operation and maintenance of plant services	-		459,615		-		459,615	396,569
Special education programs	197,568		-		-		197,568	158,919
Food services	-		-		12,568		12,568	11,352
Business services	-		116,703		-		116,703	204,464
Student transportation	-		317,655		-		317,655	312,618
Central services	-		28,560		-		28,560	70,756
Instructional staff services	-		172,897		-		172,897	101,160
General administration	-		81,797		-		81,797	134,164
Pupil support services	-		52,562		-		52,562	21,555
Office expenses	-		80,300		-		80,300	80,300
Other instructional programs	20,350		-		-		20,350	175
Community service operations	-		-		72		72	400
Site improvement	-		-		4,833		4,833	-
	<u>\$ 2,271,128</u>	<u>\$</u>	<u>1,860,961</u>	<u>\$</u>	<u>17,473</u>	<u>\$</u>	<u>4,149,562</u>	<u>\$ 4,184,705</u>

See accompanying notes to financial statements.

**NEW ORLEANS CHARTER SCHOOLS FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2011 and 2010**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization

New Orleans Charter Schools Foundation (the "Foundation") was incorporated in March 2006 for the purpose of operating charter schools in New Orleans. The Louisiana State Board of Elementary and Secondary Education (BESE) granted the Foundation two (2) Type 5 charters to operate McDonogh City Park Academy and New Orleans Free Academy, pursuant to Louisiana Revised Statute 17:3971 et seq. The charters were valid until June 30, 2011. BESE is responsible for evaluating the performance of the academies and has the authority to deny renewal of the contracts at their expiration or terminate the contracts prior to their expiration. New Orleans Free Academy's charter was voluntarily surrendered to BESE on June 30, 2009. On May 17, 2011, the charter for McDonogh City Park Academy (the "Academy") was extended three years through June 30, 2014. All assets and lease agreements associated with the New Orleans Free Academy have reverted back to the Recovery School District, except for cash in the amount of \$53,390 held in the New Orleans Free Academy's bank account. The Foundation is in the process of trying to ascertain if the funds should revert back to the State of Louisiana or the Recovery School District.

The Foundation operates under the direction of a nine-member board of directors. The board of directors is responsible for carrying out the provisions of the contract which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The board of directors controls the Academy's instructional/support facility staffed by 25 certified full-time teaching personnel who provide services to 404 students.

Basis of Accounting

The financial statements have been prepared using the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America.

Functional Expenses

The cost of program and supporting services has been reported on a functional basis. This requires the allocation of certain costs based on total program costs and estimates made by management. The allocation between the functions is compiled based on the Louisiana Accounting and Uniform Governmental Handbook (LAUGH).

Income Tax Status

The Foundation is a tax exempt organization under Internal Revenue Code Section 501(c)(3) and, as such, is not subject to income tax.

**NEW ORLEANS CHARTER SCHOOLS FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**For the Years Ended June 30, 2011 and 2010**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Public Support and Revenue**

The Foundation receives its support primarily from the Louisiana State Department of Education and the United States Department of Education. Irrevocable promises to give and outright contributions are recorded as revenue on the accrual basis as they are received, and allowances are provided for promises to give which are estimated to be uncollectible. Promises to give and contributions are principally received from corporate, foundation, and individual donors around the United States. Both promises to give and contributions are considered available for unrestricted use unless specifically restricted by donors. Irrevocable promises to give which relate to a subsequent year are recorded as receivables and temporarily restricted net assets in the year the commitment is received. Contributions whose donor restrictions are met in the same reporting period are reported as unrestricted support.

Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

**Deferred Revenue**

Grant funds are considered to be earned when qualifying expenditures are made and all other grant requirements have been met and accordingly, when such funds are received, they are recorded as deferred revenue until earned.

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Cash and Cash Equivalents**

Cash includes amounts in demand deposits and interest-bearing deposits. Cash equivalents include amounts in time deposits with original maturities of ninety (90) days or less.

**NEW ORLEANS CHARTER SCHOOLS FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**For the Years Ended June 30, 2011 and 2010**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation**

The Foundation follows the provisions of Not-For-Profit Entities Topic of FASB ASC (FASB ASC 958), which establishes external financial reporting for not-for-profit organizations which includes three basis financial statements and classification of resources into three separate categories of net assets, as follows:

- Unrestricted - Net assets which are free of donor imposed restrictions; all revenues, expenses, gains and losses that are not changes in permanently or temporarily restricted net assets.
- Temporarily Restricted - Net assets whose use by the Foundation is limited by donor-imposed stipulations that either expire by the passage of time or that can be fulfilled or removed by actions of the Foundation pursuant to such stipulations.
- Permanently Restricted - Net assets whose use by the Foundation is limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled and removed by actions of the Foundation.

**Property and Equipment**

Property and equipment are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated property and equipment are recorded at fair market values as of the date received. The Foundation maintains a capitalization threshold of \$5,000 for furniture and equipment, land, and leasehold improvements, or any one item costing under \$5,000 alone but purchased in a group for over \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. All reported property and equipment except land are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

Leasehold improvements	life of lease or 5 years, whichever is greater
Furniture, fixtures, and equipment	3-7 years

**Due to Student Groups**

Amounts classified as due to student groups are funds raised by student groups for use in group activities. These amounts are not recorded in the Statements of Activities. The funds are segregated and held for the students.

**Reclassification**

Certain financial statement balances included in the prior year financial statements have been reclassified to conform to the current year presentation.

**NEW ORLEANS CHARTER SCHOOLS FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**For the Years Ended June 30, 2011 and 2010**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Subsequent Events**

Subsequent events have been evaluated through October 19, 2011, the date the financial statements were available to be issued.

**NOTE 2 – CASH AND CASH EQUIVALENTS**

Under State law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or pledged securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At June 30, 2011 and 2010, cash and cash equivalents consisted of deposits with financial institutions with carrying balances of \$962,350 and \$618,172, respectively. These deposits are secured from risk by \$250,000 from the Federal Deposit Insurance Corporation (FDIC). In accordance with Dodd-Frank Insurance Provision, non-interest bearing transaction accounts are fully insured by the FDIC. This provision is effective from December 31, 2010 through December 31, 2012. Thus, the Foundation is in compliance with state law.

**NOTE 3 – CONTRACTS RECEIVABLE**

At June 30, 2011 and 2010, there were contract receivables of \$47,097 and \$47,097, respectively, from The Leona Group, LLC (TLG) for the reimbursement of the cost of services to McDonogh City Park Academy, pursuant to a Management Agreement discussed more fully in Note 9 below. Due to the uncertainty of receipt of the amounts due, the Foundation has created an allowance for uncollectible receivables for the full amount of \$47,097.

**NOTE 4 - PROPERTY AND EQUIPMENT**

The cost of property and equipment is summarized as follows:

	2011	2010
Leasehold improvements	\$ 23,118	\$ 23,118
Furniture, fixtures, and equipment	340,462	340,462
Less accumulated depreciation	(214,463)	(139,626)
Net carrying amount	<u>\$ 149,117</u>	<u>\$ 223,954</u>

Depreciation expense was \$74,837 and \$93,682, respectively, for the years ended June 30, 2011 and 2010.

**NEW ORLEANS CHARTER SCHOOLS FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**For the Years Ended June 30, 2011 and 2010**

**NOTE 5 – RETIREMENT PLANS**

Substantially all employees of the academies participate in the Teachers' Retirement System of Louisiana (TRSL). This system is a cost-sharing, multiple-employer governmental defined benefit plan qualified under Section 401(a) of the Internal Revenue Code. The plan provides retirement benefits as well as disability and survivor benefits to eligible participants. The TRSL issues publicly available financial reports that include financial statements and required supplementary information of the TRSL. That report may be obtained by writing the Teachers' Retirement System of Louisiana, P.O. Box 94123, Baton Rouge, LA 70804-9123.

Participants vest immediately in employee contributions to the plan. Retirement benefits vest after five years of service if the employee reaches age 60; otherwise, benefits vest after 20 years of service. Benefits are established and amended by state statute. Upon retirement, participants may select from eight retirement payment options.

Participants are required to contribute to the plan 8% of their annual covered payroll and the Foundation is required to contribute 20.2% of the annual covered payroll of each participating employee. These contribution levels are established by law and set by the Public Retirement Systems Actuarial Committee. For the years ended June 30, 2011 and 2010, the Foundation's contributions to this plan totaled \$296,627 and \$257,644, respectively.

**NOTE 6 – COMPENSATED ABSENCES**

**School-Based Employees:**

All school-based employees are granted five (5) paid time off (PTO) days at the beginning of each year. These days are to be used in case of illness or any other reason an employee needs a day off. If an employee starts after the beginning of the school year, personal leave/sick days are pro-rated. School-based employees may be paid \$100 per day for every unused day. Unused days are reported to TRSL upon termination of employment.

**Funding Policy:**

School Support Center staff work throughout the year and observe school holidays. All full time Foundation SSC employees earn a minimum total of twenty (20) days PTO (a combination of fifteen (15) vacation days and five (5) sick days) per year. Unused sick days are reported to TRSL upon termination of employment. School Support Center staff may request a pay-out of up to five (5) unused vacation days at the end of the fiscal year, and may also carry over up to five (5) vacation days, with a maximum allowed balance of 160 hours. Any hours that exceed 160 will be forfeited.

**NOTE 7 - CONTINGENCIES**

**State Funding** - The continuation of the Academy is contingent upon legislative appropriation or allocation of funds necessary to fulfill the requirements of the charter contract with the Board

**NEW ORLEANS CHARTER SCHOOLS FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**For the Years Ended June 30, 2011 and 2010**

**NOTE 7 – CONTINGENCIES (CONTINUED)**

of Elementary and Secondary Education. If the legislature fails to appropriate sufficient monies to provide for the continuation of the charter contract, or if such appropriation is reduced by veto of the governor or by any means provided in the appropriations act to prevent the total appropriation for the year from exceeding revenues for that year, or for any other lawful purpose, and the effect of such reduction is to provide insufficient monies for the continuation of the charter contract, the contract shall terminate on the date of the beginning of the first fiscal year for which funds are not appropriated.

*Nerissa L. Reaves v. New Orleans Charter Schools Foundation*

During 2011, a lawsuit was initiated against the Foundation by Nerissa Reaves, a former Master Teacher for the Foundation. The allegations in the lawsuit deal with wrongful termination which occurred on February 22, 2011. The outcome and potential liability of this litigation cannot be determined as of the date of this report; therefore, as of June 30, 2011 no liability regarding this suit has been recorded in the accompanying combined financial statements of the Foundation.

**NOTE 8 – LEASE AGREEMENT**

During the fiscal years ended June 30, 2011 and 2010, the Foundation leased buildings from the Recovery School District (RSD) absent lease agreements. The Foundation has entered into a rent-free lease with the RSD for the period from July 1, 2007 through June 30, 2009 for the use of the Academy's main buildings, gymnasiums, and grounds as school facilities. The rent-free lease for McDonogh City Park Academy automatically extended upon the two-year extension of the Academy's charter, discussed in Note 1. The extension will terminate on June 30, 2014. The amount of the rent-free leases has been valued based on a schedule included in the signed lease agreements indicating fees that would be charged to nonprofit organizations for rental of the building totaling \$80,300 for the years ending June 30, 2011 and 2010, which is included in office expenses.

The Foundation is responsible for the payment of utilities, janitorial, disposal services, and property taxes.

The RSD may move the Academy, at the end of a school year, to other facilities as deemed necessary, taking into consideration such factors as building capacity, design alignment with grade levels served by the academies, projected enrollment, program specific needs, and community needs.

The Foundation may terminate this agreement upon 30 days' notice to locate its school in a non-RSD facility.

The RSD may terminate this agreement with cause prior to the end of the specified term in the event the Foundation fails to remedy a material breach within a period reasonable under the circumstances, but not less than 15 days after notice from the RSD.

**NEW ORLEANS CHARTER SCHOOLS FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**For the Years Ended June 30, 2011 and 2010**

**NOTE 9 – MANAGEMENT AGREEMENT**

The Foundation entered into a three-year contract, with renewal options, for each academy, effective July 1, 2006 through June 30, 2009, with The Leona Group, LLC (TLG) for educational management services for all of the management, operation, administration, and education at the academies. The Foundation did not renew the management contract with TLG upon the conclusion of the initial three-year term on June 30, 2009. The Foundation began self-management on July 1, 2009. The Foundation is contesting certain management fees charged by TLG due to TLG's alleged nonperformance of certain services. The Foundation and TLG have not resolved, nor pursued, a resolution to these matters. As of the date of this report, the Foundation does not believe there is significant, if any, liability related to the nonrenewal of this contract. Consequently, the Foundation has not shown any accruals for possible costs in the financial statements

**NOTE 10 – RELATED PARTIES**

The Foundation contracted with a law firm that is affiliated with a board member who resigned his position in July 2010 and is no longer serving the board. Legal fees paid to the law firm for the fiscal years ended June 30, 2011 and 2010 were \$28,473 and \$22,696, respectively.

**NOTE 11 – SIGNIFICANT CONCENTRATIONS**

For the years ended June 30, 2011 and 2010, the Foundation received 21% and 32%, respectively, of its total revenue from federal sources and 34% and 27%, respectively, of its total revenue from state public school funds.

**NOTE 12 – UNCERTAIN TAX POSITIONS**

Accounting principles generally accepted in the United States of America require the Foundation's management to evaluate tax positions taken by the Foundation and recognize a tax liability if the Foundation has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The Foundation's management has analyzed the tax positions taken by the Foundation, and has concluded that as of June 30, 2011, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Foundation's management believes it is no longer subject to income tax examinations for years prior to 2008.



## **SUPPLEMENTAL INFORMATION**

**NEW ORLEANS CHARTER SCHOOL FOUNDATION**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
**June 30, 2011**

	New Orleans Free Academy	McDonogh City Park Academy	Total
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and cash equivalents	\$ 53,126	\$ 855,004	\$ 908,130
Prepaid expenses	-	13,803	
Accounts receivable	-	166,931	166,931
<b>Total Current Assets</b>	<u>53,126</u>	<u>1,035,738</u>	<u>1,088,864</u>
<b>Non-Current Assets:</b>			
Property and equipment (net of depreciation)	-	149,117	149,117
<b>Total Assets</b>	<u>\$ 53,126</u>	<u>\$ 1,184,855</u>	<u>\$ 1,237,981</u>
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current Liabilities:</b>			
Accounts payable	\$ -	\$ 117,734	\$ 117,734
Accrued expenses	-	132,627	132,627
<b>Total Current Liabilities</b>	<u>-</u>	<u>250,361</u>	<u>250,361</u>
<b>Total Liabilities</b>	<u>-</u>	<u>250,361</u>	<u>250,361</u>
<b>Net Assets:</b>			
Unrestricted	<u>53,126</u>	<u>934,494</u>	<u>987,620</u>
<b>Total Net Assets</b>	<u>53,126</u>	<u>934,494</u>	<u>987,620</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 53,126</u>	<u>\$ 1,184,855</u>	<u>\$ 1,237,981</u>

See accompanying notes to financial statements.

**NEW ORLEANS CHARTER SCHOOL FOUNDATION**  
**CONSOLIDATING STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2011**

	<u>New Orleans Free Academy</u>	<u>McDonogh City Park Academy</u>	<u>Total</u>
<b>UNRESTRICTED NET ASSETS</b>			
<b>Public Support and Other Revenues</b>			
Local sources	\$ -	\$ 1,709,132	\$ 1,709,132
Federal sources	-	882,519	882,519
State sources	-	1,417,566	1,417,566
In kind donation	-	82,329	82,329
Donations and contributions	-	80,300	80,300
Miscellaneous	-	26,484	26,484
	<hr/>	<hr/>	<hr/>
Total Support, Revenues and Reclassifications	-	4,198,330	4,198,330
<b>Expenses</b>			
Program services:			
Instructional	-	2,271,128	2,271,128
Supporting services:			
Management and general	-	1,860,961	1,860,961
Non-Instructional services:			
Other services	-	17,473	17,473
	<hr/>	<hr/>	<hr/>
Total Expenses	-	4,149,562	4,149,562
	<hr/>	<hr/>	<hr/>
<b>Increase in Unrestricted Net Assets</b>	-	48,768	48,768
	<hr/>	<hr/>	<hr/>
Net assets at beginning of fiscal year	53,126	885,726	938,852
	<hr/>	<hr/>	<hr/>
Net assets at end of fiscal year	\$ 53,126	\$ 934,494	\$ 987,620
	<hr/>	<hr/>	<hr/>

See accompanying notes to financial statements.

## PERFORMANCE STATISTICAL DATA

## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Directors  
New Orleans Charter Schools Foundation  
New Orleans, Louisiana

We have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed to by the management of New Orleans Charter Schools Foundation (a nonprofit organization) (the "Foundation") and the Legislative Auditor, State of Louisiana, solely to assist the users in evaluating management's assertions about the performance and statistical data accompanying the annual financial statements of the Foundation and to determine whether the specified schedules are free of obvious errors and omissions as provided by the Board of Elementary and Secondary Education (BESE) Bulletin. The Foundation is responsible for the performance and statistical data. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

### General Fund Instructional and Support Expenditures and Certain Local Revenue Sources (Schedule K-1)

1. We selected a random sample of 25 transactions and reviewed supporting documentation to determine if the sampled expenditures/revenues are classified correctly and are reported in the proper amounts for each of the following amounts reported on the schedule:
  - Total General Fund Instructional Expenditures,
  - Total General Fund Equipment Expenditures,
  - Total Local Taxation Revenue,
  - Total Local Earnings on Investment in Real Property,
  - Total State Revenue in Lieu of Taxes,
  - Nonpublic Textbook Revenue, and
  - Nonpublic Transportation Revenue.

Education Levels of Public Principals, Assistant Principals, and Full-Time Classroom Teachers (Schedule K-2)

2. We reconciled the total number of full-time classroom teachers per the schedule "Experience of Public Principals, Assistant Principals, and Full-time Classroom Teachers" (Schedule K-4) to the combined total number of full-time classroom teachers per this schedule and to school board supporting payroll records as of October 1, 2010.
3. We reconciled the combined total of principals and assistant principals per the schedule "Experience of Public Principals, Assistant Principals, and Full-time Classroom Teachers" (Schedule K-4) to the combined total of principals and assistant principals per this schedule.
4. We obtained a list of principals, assistant principals, and full-time teachers by classification as of October 1, 2010 and as reported on the schedule. We traced a random sample of 25 teachers to the individual's personnel file and determined that the individual's education level was properly classified on the schedule.

Number and Type of Public Schools (Schedule K-3)

5. We obtained a list of schools by type as reported on the schedule. We compared the list to the schools and grade levels as reported on the Title 1 Grants to Local Educational Agencies (CFDA 84.010) application and/or the National School Lunch Program (CFDA 10.555) application.

Experience of Public Principals, Assistant Principals, and Full-time Classroom Teachers (Schedule K-4)

6. We obtained a list of principals, assistant principals, and full-time teachers by classification as of October 1, 2010 and as reported on the schedule and traced the same sample used in procedure 4 to the individual's personnel file and determined that the individual's experience was properly classified on the schedule.

Public Staff Data (Schedule K-5)

7. We obtained a list of all classroom teachers including their base salary, extra compensation, and ROTC or rehired retiree status as well as full-time equivalent as reported on the schedule and traced a random sample of 25 teachers to the individual's personnel file and determined that the individual's salary, extra compensation, and full-time equivalents were properly included on the schedule.
8. We recalculated the average salaries and full-time equivalents reported in the schedule.

Class Size Characteristics (Schedule K-6)

9. We obtained a list of classes by school, school type, and class size as reported on the schedule and reconciled school type classifications to Schedule K-3 data, as obtained in procedure 5. We then traced a random sample of 10 classes to the October 1, 2010 roll books for those classes and determined that the class was properly classified on the schedule.

Louisiana Educational Assessment Program (LEAP) for the 21<sup>st</sup> Century (Schedule K-7)

10. We obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported in the schedule by the School System.

Integrated Louisiana Educational Assessment Program (iLEAP) (Schedule K-9)

11. We obtained test scores as provided by the testing authority and reconciled the scores as reported by the testing authority to the scores reported in the schedule by the School System.

We noted the following exceptions as a result of applying the above procedures:

Louisiana Educational Assessment Program (LEAP) for the 21<sup>st</sup> Century (Schedule K-7)

**Finding:**

We noted one (1) instance where the number of students for Grade 4 was incorrect per the LEAP Test Results as of Spring of 2011.

**Corrective Action Plan:**

The Coordinator of School Services will contact the State in an effort to determine how the error was made and make every effort in the future to ensure the same type of discrepancy doesn't occur.

We were not engaged to and did not perform an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management of the New Orleans Charter Schools Foundation, the Louisiana Department of Education, the Louisiana Legislature, and the Legislative Auditor, State of Louisiana, and is not intended to be and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Carr, Riggs & Ingram, LLC*

October 19, 2011



# **NEW ORLEANS CHARTER SCHOOLS FOUNDATION Schedule K-1** **NEW ORLEANS, LOUISIANA**

## **General Fund Instructional and Support Expenditures**

### **Certain Local Revenue Sources**

**For the Year Ended June 30, 2011**

#### General Fund Instructional and Equipment Expenditures

#### General fund instructional expenditures:

##### Teacher and student interaction activities:

Classroom teacher salaries	\$ 1,019,431	
Other instructional staff activities	-	
Employee benefits	277,869	
Purchased professional and technical services	889	
Instructional materials and supplies	38,653	
Less instructional equipment	(13,149)	
Total teacher and student interaction activities		\$ 1,323,693

Other instructional activities		4,117
--------------------------------	--	-------

Pupil support activities	\$ 16,386	
Less equipment for pupil support activities	-	
Net pupil support activities		16,386

Instructional Staff Services	\$ 104	
Less equipment for instructional staff services	-	
Net instructional staff services		104

School Administration	\$ 414,234	
Less: Equipment for School Administration	-	
Net school administration		414,234

Total general fund instructional expenditures		\$ 1,340,183
-----------------------------------------------	--	--------------

Total general fund equipment expenditures		\$ 13,149
-------------------------------------------	--	-----------

#### Certain Local Revenue Sources:

This section is not applicable to New Orleans Charter Schools Foundation.

**NEW ORLEANS CHARTER SCHOOLS FOUNDATION**  
**NEW ORLEANS, LOUISIANA**

**Schedule K-2**

**Education Level of Public Principals, Assistant Principals, and Full-Time Classroom Teachers**  
**As of June 30, 2011**

Category	Full-time Classroom Teachers				Principals and Assistant Principals			
	Certificated		Uncertificated		Certificated		Uncertificated	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than a Bachelor's Degree	-	-	-	-	-	-	-	-
Bachelor's Degree	15	60%	-	-	-	-	-	-
Master's Degree	9	36%	-	-	2	67%	-	-
Master's Degree +30	1	4%	-	-	1	33%	-	-
Specialist in Education	-	-	-	-	-	-	-	-
Ph. D. or Ed. D.	-	-	-	-	-	-	-	-
<b>Total</b>	<b>25</b>	<b>100%</b>	<b>-</b>	<b>-</b>	<b>3</b>	<b>100%</b>	<b>-</b>	<b>0%</b>

**NEW ORLEANS CHARTER SCHOOLS FOUNDATION  
NEW ORLEANS, LOUISIANA**

**Schedule K-3**

**Number and Type of Public Schools  
For the Year Ended June 30, 2011**

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Type	2010
	Number
Elementary	1
Middle/Jr. High	-
Secondary	-
Combination	-
Total	1

Note: Schools opened or closed during the fiscal year are included in this schedule.

**NEW ORLEANS CHARTER SCHOOLS FOUNDATION**  
**NEW ORLEANS, LOUISIANA**

**Schedule K-4**

**Experience Levels of Public Principals, Assistant Principals, and Full-Time Classroom Teachers**  
**As of June 30, 2011**

	0-1 Yr.	2-3 Yrs.	4-10 Yrs.	11-14 Yrs.	15-19 Yrs.	20-24 Yrs.	25+ Yrs.	Total
Assistant Principals	-	-	1	1	-	-	-	2
Classroom Teachers	6	2	9	2	2	-	4	25
Principals	-	-	-	-	1	-	-	1
Total	6	2	10	3	3	-	4	28

**NEW ORLEANS CHARTER SCHOOLS FOUNDATION  
NEW ORLEANS, LOUISIANA**

**Schedule K-5**

**Public School Staff Data  
2010-2011 School Year**

	All Classroom Teachers	Classroom Teachers Excluding ROTC And Rehired Retirees
Average Classroom Teachers' Salary Including Extra Compensation	\$ 49,938	\$ 49,725
Average Classroom Teacher's Salary Excluding Extra Compensation	\$ 49,938	\$ 49,725
Number of Teacher Full-time Equivalents (FTEs) used in Computation of Average Salaries	25	21

Note: Figures reported include all sources of funding (i.e. federal, state and local) but exclude employee benefits. Generally, retired teachers rehired to teach receive less compensation than non-retired teachers and ROTC teachers receive more compensation because of a federal supplement. Therefore, these teachers are excluded from the computation in the last column. This schedule excludes day-to-day substitutes and temporary employees.

**NEW ORLEANS CHARTER SCHOOLS FOUNDATION**  
**NEW ORLEANS, LOUISIANA**

**Schedule K-6**

**Class Size Characteristics**  
**As of October 1, 2010**

School Type	Class Size Range							
	1 - 20		21 - 26		27 - 33		34+	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Elementary	18%	15	70%	57	12%	10	-	-
Elementary Activity Classes	100%	1	-	-	-	-	-	-
Middle/Jr. High	-	-	-	-	-	-	-	-
Middle/Jr. High Activity Classes	-	-	-	-	-	-	-	-
High	-	-	-	-	-	-	-	-
High Activity Classes	-	-	-	-	-	-	-	-
Combination	-	-	-	-	-	-	-	-
Combination Activity Classes	-	-	-	-	-	-	-	-

Note: The Board of Elementary and Secondary Education has set specific limits on the maximum size of classes at various grade levels. The maximum enrollment in grades K-3 is 26 students and maximum enrollment in grades 4-12 is 33 students. These limits do not apply to activity classes such as physical education, chorus, band, and other classes without maximum enrollment standards. Therefore, these classes are included only as separate line items. The schedule as of October 1, 2010 contains all available classes, where as the schedule as of October 1, 2009 did not include elective classes.

**NEW ORLEANS CHARTER SCHOOLS FOUNDATION**  
**NEW ORLEANS, LOUISIANA**

Louisiana Educational Assessment Program (LEAP) for the 21st Century  
 For the Year Ended June 30, 2011

District Achievement		English				Mathematics				Science				Social Studies			
		2011	2010	2009	2008	2011	2010	2009	2008	2011	2010	2009	2008	2011	2010	2009	2008
Level Results	Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
<b>Grade 4</b>																	
Advanced		11	25%	10	23%	13	32%	13	32%	1	2%	1	2%	0%	0%	0%	0%
Mastery		19	44%	13	29%	17	41%	14	34%	16	37%	20	47%	4	9%	1	2%
Basic		9	20%	7	16%	7	17%	5	12%	12	27%	13	30%	11	25%	22	51%
Approaching Basic		5	11%	11	25%	4	10%	8	20%	16	36%	9	21%	13	30%	5	12%
Unsatisfactory		44	100%	44	100%	41	100%	41	100%	44	100%	43	100%	44	100%	43	100%
<b>Total</b>																	
<b>District Achievement</b>		<b>English</b>				<b>Mathematics</b>				<b>Science</b>				<b>Social Studies</b>			
<b>Level Results</b>	<b>Students</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
		Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
<b>Grade 8</b>																	
Advanced		2	6%	1	3%	2	5%	1	3%	0%	0%	0%	0%	0%	0%	0%	0%
Mastery		16	50%	16	42%	17	36%	10	24%	3	8%	3	8%	1	3%	1	3%
Basic		12	38%	16	42%	22	47%	10	24%	18	46%	18	46%	15	38%	19	47%
Approaching Basic		2	6%	3	8%	8	17%	5	12%	5	13%	7	18%	12	30%	10	25%
Unsatisfactory		32	100%	38	100%	47	100%	47	100%	32	100%	38	100%	32	100%	38	100%
<b>Total</b>																	

NEW ORLEANS CHARTER SCHOOLS FOUNDATION  
NEW ORLEANS, LOUISIANA

Schedule K-9

Integrated Louisiana Educational Assessment Program (ILEAP)  
For the Years Ended June 30, 2009, 2010, 2011

District Achievement Level Results		English				Mathematics				Science				Social Studies			
		2011		2010		2009		2011		2010		2009		2011		2010	
		Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 3																	
Advanced		-	0%	1	2%	-	0%	2	4%	-	0%	-	0%	-	0%	-	0%
Mastery		5	10%	9	20%	2	4%	2	4%	4	9%	2	4%	1	2%	2	4%
Basic		13	28%	18	39%	22	39%	16	34%	20	43%	18	32%	17	30%	20	44%
Approaching Basic		21	45%	11	24%	17	30%	12	26%	11	24%	13	23%	23	49%	18	39%
Unsatisfactory		8	17%	7	15%	15	27%	15	32%	11	24%	23	41%	15	32%	6	13%
Total		47	100%	46	100%	56	100%	47	100%	46	100%	56	100%	47	100%	46	100%

District Achievement Level Results		English				Mathematics				Science				Social Studies			
		2011		2010		2009		2011		2010		2009		2011		2010	
		Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 5																	
Advanced		-	0%	-	0%	-	0%	2	5%	-	0%	-	0%	-	0%	2	4%
Mastery		6	14%	5	10%	-	0%	4	8%	2	4%	-	0%	5	11%	6	12%
Basic		14	32%	19	39%	6	19%	14	32%	22	45%	8	25%	18	41%	22	45%
Approaching Basic		15	34%	20	41%	11	34%	7	16%	13	27%	4	13%	14	31%	11	23%
Unsatisfactory		9	20%	5	10%	15	47%	17	39%	12	24%	20	62%	11	25%	8	16%
Total		44	100%	49	100%	32	100%	44	100%	49	100%	32	100%	44	100%	49	100%

District Achievement Level Results		English				Mathematics				Science				Social Studies			
		2011		2010		2009		2011		2010		2009		2011		2010	
		Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 6																	
Advanced		-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Mastery		6	11%	2	5%	-	0%	4	8%	3	15%	3	8%	7	13%	3	8%
Basic		23	44%	17	45%	10	42%	18	35%	15	39%	6	25%	31	60%	18	47%
Approaching Basic		18	35%	13	34%	10	42%	9	17%	9	24%	7	29%	8	15%	14	37%
Unsatisfactory		5	10%	6	16%	4	16%	21	40%	13	34%	8	33%	3	6%	2	5%
Total		52	100%	38	100%	24	100%	52	100%	38	100%	24	100%	52	100%	38	100%

District Achievement Level Results		English				Mathematics				Science				Social Studies			
		2011		2010		2009		2011		2010		2009		2011		2010	
		Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 7																	
Advanced		-	0%	-	0%	1	3%	-	0%	-	0%	-	0%	-	0%	1	3%
Mastery		2	5%	1	3%	2	5%	3	7%	2	6%	1	3%	2	5%	2	6%
Basic		11	26%	16	44%	12	30%	8	19%	20	55%	15	37%	11	26%	16	44%
Approaching Basic		20	46%	15	42%	16	40%	13	30%	8	22%	13	32%	20	46%	10	23%
Unsatisfactory		10	23%	4	11%	9	22%	19	44%	6	17%	11	28%	10	23%	9	25%
Total		43	100%	36	100%	40	100%	43	100%	36	100%	40	100%	43	100%	36	100%



**OMB CIRCULAR A-133 COMPLIANCE AND  
GOVERNMENT AUDITING STANDARDS REPORTS**

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING  
STANDARDS***

*Independent Auditor's Report*

Board of Directors  
New Orleans Charter Schools Foundation  
New Orleans, Louisiana

We have audited the financial statements of New Orleans Charter Schools Foundation (a nonprofit organization) (the "Foundation"), as of and for the year ended June 30, 2011 and have issued our report thereon dated October 19, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Foundation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Directors, the Legislative Auditor of the State of Louisiana, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Carr, Riggs & Ingram, LLC*

October 19, 2011

**REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

*Independent Auditor's Report*

Board of Directors  
New Orleans Charter Schools Foundation  
New Orleans, Louisiana

Compliance

We have audited the New Orleans Charter Schools Foundation (a nonprofit organization) (the "Foundation") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2011. The Foundation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Foundation's management. Our responsibility is to express an opinion on the Foundation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Foundation's compliance with those requirements.

In our opinion, the Foundation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

### Internal Control Over Compliance

Management of the Foundation is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Foundation's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information of management, the Board of Directors, the Legislative Auditor of the State of Louisiana, and federal awarding agencies and pass-through entities and is not intended to be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Carr, Riggs & Ingram, LLC*

October 19, 2011

**NEW ORLEANS CHARTER SCHOOLS FOUNDATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2011**

<u>Federal Grantor/ Program Title/ Pass-Through Grantor</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<u>U.S. Department of Education:</u>		
<i>Passed-through Louisiana Department of Education:</i>		
Title I Grants to Local Educational Agencies (LEAs)*	84.010	\$ 539,349
HEAP	84.938	55,800
Title II Improving Teacher Quality State Grants	84.367	53,578
Title IV Safe and Drug-Free Schools and Communities - State Grants	84.186	4,659
Special Education - Grants to States (IDEA, Part A)	84.027	80,823
Special Education - Grants to States (IDEA, Recovery Act)	84.391	7,470
Katrina Foreign Contributions	84.940	38,242
Education Jobs Supplement	84.410	64,710
School Improvement 1003 (g)	84.377	36,605
Education for Homeless Children and Youth	84.387	<u>1,283</u>
TOTAL U.S. DEPARTMENT OF EDUCATION		<u>\$ 882,519</u>

\*Identified as a major program.

See accompanying Notes to the Schedule of Expenditures of Federal Awards.

**NEW ORLEANS CHARTER SCHOOLS FOUNDATION**  
**NOTE TO THE SCHEDULE OF EXPENDITURES OF**  
**FEDERAL AWARDS**  
**For the Year Ended June 30, 2011**

**NOTE 1 - BASIS OF ACCOUNTING**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Foundation and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

**NEW ORLEANS CHARTER SCHOOLS FOUNDATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2011**

**A. SUMMARY OF AUDITOR'S RESULTS**

1. The auditor's report expresses an unqualified opinion on the financial statements of New Orleans Charter Schools Foundation (a nonprofit organization) (the "Foundation").
2. No instances of noncompliance material to the financial statements of the Foundation were disclosed and identified during the audit.
3. No significant deficiencies relating to the audit in the *Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133*.
4. The *Report on Compliance with Requirements Applicable that could have a Direct and Material Effect on Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133* expresses an unqualified opinion on all major federal programs.
5. There were no findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
6. A management letter was not issued for the year ended June 30, 2011.
7. The program tested as a major program for the year ended June 30, 2011 was:

Program Title

CFDA No.

Title I Grants to Local Educational Agencies

84.010

8. The threshold for distinguishing between Type A and Type B programs was \$300,000.
9. The Foundation did not qualify as a low-risk auditee.

**B. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS**

There were no findings related to the financial statement for the year ended June 30, 2011.



**NEW ORLEANS CHARTER SCHOOLS FOUNDATION  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
AND QUESTIONED COSTS  
For the Year Ended June 30, 2011**

**SECTION I - FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
COMPLIANCE**

Not applicable.

**SECTION II - FINDINGS AND QUESTIONED COSTS RELATED TO MAJOR  
FEDERAL AWARD PROGRAMS**

**Finding 10-01 Level of Effort / Matching of Effort**

Current Year Status - Resolved.

**SECTION III - MANAGEMENT LETTER**

Not applicable.